MT INFRASTRUCTURE COALITION

Initial research on local government infrastructure conditions, immediate and long-term funding needs, current funding methods including a detailed analysis of two more significant state funding programs – Treasure State Endowment Program and Highway Transportation Program.

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Introduction

This document summarizes the condition of critical local government infrastructure, immediate and long-term funding needs to repair, upgrade, and build new infrastructure, generally describes how infrastructure projects are currently funded, discusses two of the most significant local government infrastructure funding programs administered by the state of Montana, and reviews selected innovative funding mechanisms available to local governments The initial intent of the research was to provide a complete inventory of all federal, state, and local funding programs. However, the time resources needed to complete this type of inventory would have taken far more time than available by mid-August. This document was prepared to illustrate the type of information that could be compiled for various funding programs. Hopefully, this document will promote a healthy discussion and will further focus the requirements of the Coalition. Attached to this document is a sample inventory that could be prepared for all of the current funding programs.

Critical Infrastructure Needs

The Montana Infrastructure Coalition (Coalition) identified three critical local government infrastructure needs: drinking water systems, wastewater treatment, and transportation, including local, state, and interstate highways and bridges. While these three elements are only a few of the local infrastructure programs fundamental to support economically vibrant and healthy Montana communities, the Coalition chose to highlight them because they have not routinely received individual, focused consideration.

Condition of Critical Local Infrastructure

The American Society of Civil Engineers (ASCE) convened 30 of its Montana members with specific, in depth industry experience and knowledge to evaluate Montana infrastructure and published its conclusions in 2014. The evaluation criteria used included: capacity, condition, funding, future need, and public safety. The information sources used to evaluate infrastructure included: state of Montana agency reports and budgets; federal reports with state specific information, economic impact reports; surveys of infrastructure owners and operators; and interviews with agency staff.[1]

ASCE assessed eight types of local infrastructure in Montana and rated each using a letter grading system. The grades for each of the three critical types of infrastructure discussed in this report are:

- Wastewater: D+
- Drinking water: C-
- Transportation: C

Overview of Wastewater and Drinking Water Infrastructure

There are about 180 public wastewater treatment systems and about 700 public and private water systems in Montana.[2] Some of these systems depend on original piping that is 75 years to more than 100 years old.[3] The ASCE review found that some wastewater systems "have vitrified clay tile pipe that has cracked or failed" and most drinking water systems "experience major leaks on an annual basis".[4] ASCE determined that about 20.0% of public wastewater treatment facilities have "significant effluent violations and another 20.0% are under formal enforcement actions to correct system deficiencies to achieve compliance".[5] ASCE concluded that many of these older systems are near the end of their useful

life and estimated that it would cost between $12 billion to $15 billion to completely replace local wastewater and drinking water systems.[6]

Capacity and Condition of Wastewater Treatment Systems

Half of the communities responding to an ASCE survey indicated that their wastewater systems had no additional capacity or were under capacity, and about 40.0% of respondents indicated that wastewater collection systems were in fair to poor condition.[7] ASCE found that larger communities have a plan and budget to replace a certain amount of wastewater pipeline each year. However, the vast majority of Montana communities - 80.0% - replace little or no wastewater piping on a regular, annual basis.[8] More than a third of communities responding to an ASCE survey rated their wastewater treatment system condition as fair to failed, with 8.0% reporting a failed condition that was not in compliance with state discharge standards.[9]

Capacity and Condition of Drinking Water Systems

About one third of the communities responding to an ASCE survey indicated that their water systems had no additional capacity or were under capacity and about 9.0% of respondents rated their system condition as fair to poor.[10] Many treatment systems have been upgraded to comply with federal water quality standards resulting in improved conditions for many community systems. However, 90% of survey respondents reported replacing very little piping within their distribution systems annually. As noted earlier, some communities have piping over 100 years old. Although the older piping is still functioning, it may be undersized or corroded and may be "more susceptible to bacteriologic contamination".[11]

Overview of Funding for Water Infrastructure

Montana counties and communities rely on a combination of local, state, and federal sources to fund wastewater treatment and water system infrastructure projects. ASCE estimated the total annual investment for repair, replacement, and upgrades to community wastewater and water infrastructure was $165.0 million in 2014, with $115.0 million provided by state and federal programs.[12] The sources of state and federal funding most commonly supporting these infrastructure projects identified by ASCE are: "Treasure State Endowment Program (TSEP), Renewable Resource Grant and Loan (RRGL), Community Development Block Grant (CDBG), State and Tribal Assistance Grant (STAG), USDA Rural Development (RD), and State Revolving Fund (SRF) Programs. Often times the grant and loan packages include the community share provided through reserves, special assessment, and other sources of funding. The loans are typically either RD or SRF loans and paid back through user rates." [13]

Immediate Needs

The immediate infrastructure funding needs were estimated by the Montana Department of Environmental Quality to be $587.0 million in 2008 for wastewater treatment and $885.0 million for drinking water in 2011 or a total of $1.5 billion.[14] The estimate is based on known problems, including those related to enforcement actions or emergency situations that require action in the short term. These estimates do not consider the costs associated with complying with regulatory changes, system repairs, or capacity changes due to population growth.

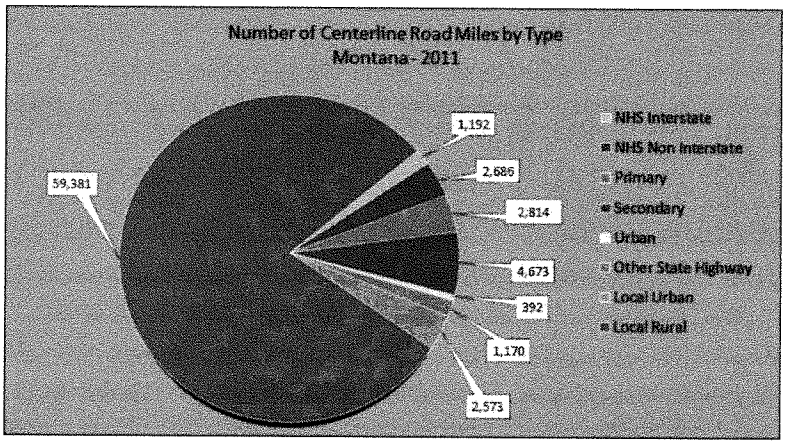
Annual State and Federal Funding for Water Related Infrastructure Is Limited

In the 2015 biennium (July 1, 2013 - June 30, 2015), public funding administered and dispersed by the Montana Departments of Commerce, Natural Resources and Conservation, and Environmental Quality supported about 43.0% of the cost of wastewater treatment and water system projects that were approved. However, the majority of funding for these projects - 57.0% - came from local funds and 93.0% of that local funding was supplied through loans.[15] One of the most important sources of funding for water infrastructure projects - the Treasure State Endowment Program, which is discussed in greater detail later in the report - funded "an average of 16.7% of the total costs of wastewater system projects and 26.0% of water system projects" in the 2015 biennium.[16] It is common for local governments to use several sources of funding for water related infrastructure projects.

Transportation Infrastructure

In 2011, Montana had about 75,000 miles of road, including national highway system (NHS) interstate and non-interstate roadways, state primary and secondary roads, and urban and rural roads maintained by cities and counties. Local rural roads constitute the majority of the total inventory with just under 75.0% of total state roadways. Figure 1 shows the type of road and number of miles of each type of road.[17] In 2011, the Montana Department of Transportation reported 11.7 million vehicle miles traveled, with about three quarters of the miles traveled on on-system roads. ASCE estimated that $21.6 billion in goods are transported from Montana locations and another $37.9 billion are transported to Montana sites, with 59.0% of goods shipped from Montana transported by truck.[18]

Figure 1



Capacity and Condition of Transportation System

Montanans enjoy some of the least congested highways in the nation and ASCE concluded that roadway capacity was adequate well into the future. In 2012, about 90.0% of the Montana interstate system pavement was rated as good followed by the national highway system pavement where just under 80% of the total roadways were rated as good. About 72.0% of primary and secondary roadway pavement was rated as good, while about 25.0% of primary roadway pavement and about 28.0% of secondary roadway pavement were rated in poor to fair condition.[19] However, although pavement conditions for major roadways are generally good, overall about 46.0% of Montana's state and local roads are in "poor to mediocre condition and about 40.0% of gravel roads are in poor or failed condition".[20]

In 2008, 85.0% of Montana counties evaluated local roads using the Pavement Surface Evaluation and Rating (PASER) system and determined that 25.0% of chip seal roads and, as noted previously, 40.0% of gravel roads were in poor or failed condition.[21] A follow up survey of 10.0% of Montana counties in 2013 showed little change.[22]

Montana has 2,282 highway bridges and 1,935 non state highway bridges. ASCE reported that 92.0% of highway bridges are rated as good with 8.0% or 204 needing repair or replacement. About 82.0% of non-state bridges are rated in good condition with 18.0% or 341 needing repair or replacement.[23]

Estimated Transportation Infrastructure Cost

The Montana Department of Transportation estimated that new construction and maintaining existing Montana roads and bridges would cost about $14.8 billion through 2022. However, the department also estimated that available funding would cover only 25.0% of projected costs.[24] ASCE noted that deferring maintenance, particularly on local roads, can lead to deterioration so severe that the road cannot be repaired, but must be reconstructed at greater cost.

Funding for Transportation Infrastructure

New construction as well as repair, maintenance, and upgrades for Montana transportation infrastructure is provided by the federal government through the Federal Highway Administration and with state and local funds as well. In state year (SFY) 2014, Montana received $396.0 million in federal highway funding.[25] Montana levies taxes on gasoline and special fuel and uses the state special revenue to match federal funding. The federal match rate varies depending on the type of highway but can be as high as 90.0%. The Montana highway state special revenue account is discussed in greater detail later in the report.

Montana local governments also receive a share of the highway state special revenue that can be used to fund local transportation infrastructure. However, this source of funding, which is also discussed in greater detail later in the report, has remained static over the years.

State Funding Sources for Critical Infrastructure

Treasure State Endowment Program – A More Detailed Review

During the 1975 legislative session, the legislature enacted the coal severance tax and defined the purpose and use of this newly created tax. Previous to this law, any coal produced in Montana was taxed based on a cents per ton basis and was not tied to the value of the commodity. The new coal tax policy was designed to automatically increase or decrease taxes paid based on the tons produced and the price the producer received for the commodity. To put this change in an appropriate perspective, coal tax receipts in 1970 were about $50,000 whereas by 1977 these taxes increased to almost $37.0 million. This increase was the result of the newly implemented coal severance tax because it included the value of the coal in the computation of the tax owed.

Because of the additional revenue, the legislature developed new spending polices and also implemented a trust fund concept to insure that there would be monies available to benefit future generations. Instead of using all of this additional revenue for general use, the legislature passed a revenue allocation policy

that recognized coal was a finite resource and that once depleted the annual tax revenue would vanish. This legislation authorized a tax distribution mechanism that allocated some revenue to general use, dedicated some for specific purposes, and distributed 50% to a coal tax trust fund. Any use of the trust fund corpus requires a ¾ vote of each house of the legislature.

Over the years, the legislature created sub-trusts within the coal tax trust fund. These sub-trusts were established to maximize the use of the trust by appropriating interest earnings generated from the investment of principal amounts in each sub-trust. Under current law, there are four sub-trusts and the principal amounts are invested by the Board of Investments. All of these earnings are appropriated by the legislature and are dedicated for specific purposes.

One of these sub-trusts the Treasure State Endowment Program (TSEP) was created by legislative referendum approved by the voters in June 1992. With an initial seed loan of $10.0 million from the permanent trust, the TSEP sub-trust has grown to $288.0 million by the end of SFY 2016. The entire coal tax trust balance was $1,023.0 million at the end of SFY 2016 when all sub-trusts and income funds are summed together. As mentioned earlier, the entire principal in these funds is invested by the Board of Investments and the investment earnings are appropriated by the legislature.

The TSEP is administered by the Department of Commerce (DOC). Their fiduciary responsibility is to administer a grant and loan program for infrastructure projects throughout the state. Infrastructure projects include drinking water systems, wastewater treatment facilities, sanitary sewer or storm sewer systems, solid waste disposal and separation systems, and bridges. The maximum grant award is $750,000.

As defined by state statute (90-6-702, MCA), the purpose of TSEP is to assist local governments in funding infrastructure projects that will:

- Create jobs for Montana residents
- Promote economic growth in Montana by helping to finance the necessary infrastructure
- Encourage local public facility improvements
- Create a partnership between the state and local governments to make necessary public projects affordable
- Support long-term, stable economic growth in Montana
- Protect future generations from undue SFY burdens caused by financing necessary public works
- Coordinate and improve infrastructure financing by federal, state, local government, and private sources
- Enhance the quality of life and protect the health, safety, and welfare of Montana citizens

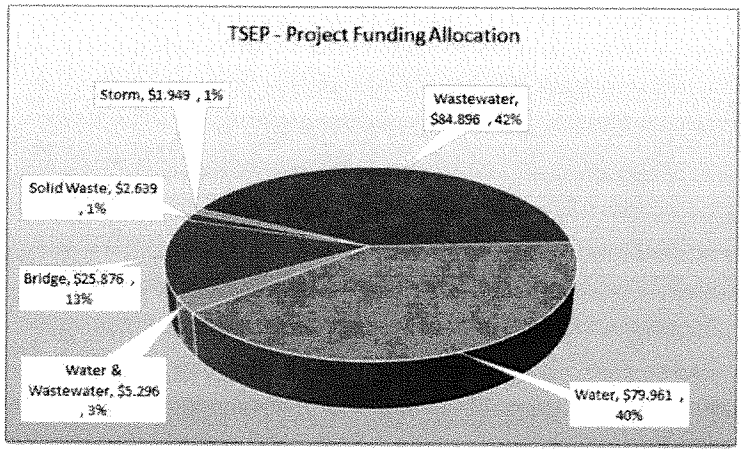
Grant funding for the program is derived from the investment earnings produced from the TSEP sub-trust. Eligible applicants include cities, towns, counties, tribal governments, consolidated local governments, county or multi-county water, sewer or solid waste districts, and other authorities as defined in 75-6-304,

MCA. TSEP applications are submitted to the DOC on a biennial basis where they are evaluated according to seven statutory priorities. The seven statutory priorities focus on projects that:

- Solve urgent and serious public health or safety problems or that enable local governments to meet state or federal health or safety standards
- Reflect greater need for financial assistance than other projects
- Incorporate appropriate, cost-effective technical design and provide thorough, long-term solutions to community public facility needs
- Reflect substantial past efforts to ensure sound, effective, long-term planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources
- Enable local governments to obtain funds from sources other than TSEP
- Provide long-term, full-time job opportunities for Montanans, provide public facilities necessary for the expansion of a business that has a high potential for financial success, or maintain the tax base or encourage expansion of the tax base
- Are high local priorities and have strong community support

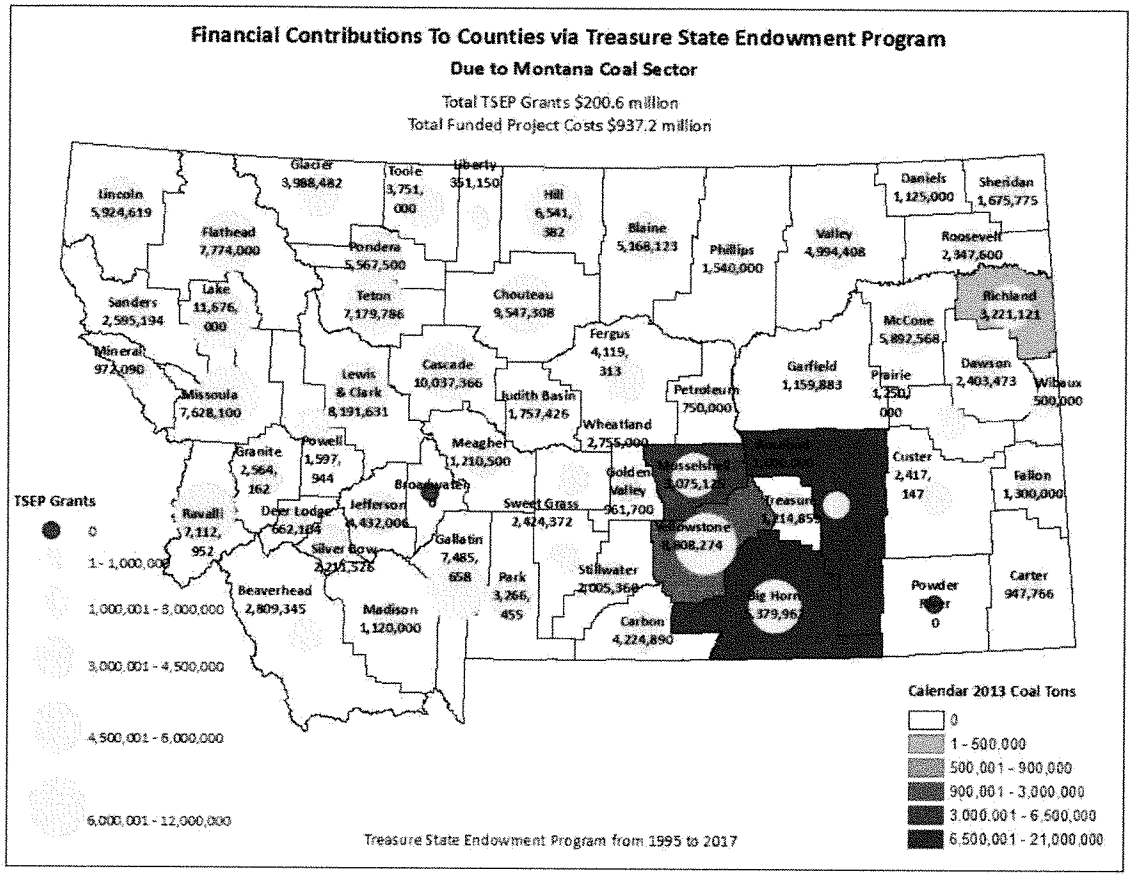
The DOC submits a recommended list of projects to the legislature for review, potential modification, and ultimate approval. Upon approval by the legislature and the Governor, the DOC administers the approved grants.

Figure 2



Since creation of the TSEP, there have been $200.6 million in grants (state monies) allocated to communities throughout Montana. Figure 2 shows the infrastructure projects that were funded by type. These funds were matched with other local and/or federal sources to fund over $937.0 million in total infrastructure projects. Figure 3 shows the total grants awarded to counties throughout Montana since inception of TSEP. The size of the circle measures the total grant awards to counties. Only two counties (Broadwater and Powder River) have never received grants. The blue shaded counties represent those counties where coal development has taken place.

Figure 3



The enactment of the coal severance tax and the fiscal policy to save for future generations have had a significant impact on the infrastructure needs of Montana communities. Without the coal severance tax and the TSEP sub-trust, communities throughout Montana more than likely would not have been able to fund many of these projects. Between the coal industry and legislative fiscal policies, this trust is an asset that provides funding for a variety of worthwhile and necessary community projects. The TSEP program continues to fund numerous projects year after year and will continue to - well into the future. It should be noted that any further deposits to the TSEP from the coal severance tax were terminated as of June 30, 2016. Interest earnings from the TSEP sub-trust will continue to be available for appropriation by the legislature but the funds available will remain relatively constant unless the return on investments increases.

Gasoline and Special Fuels Tax – A More Detailed Review

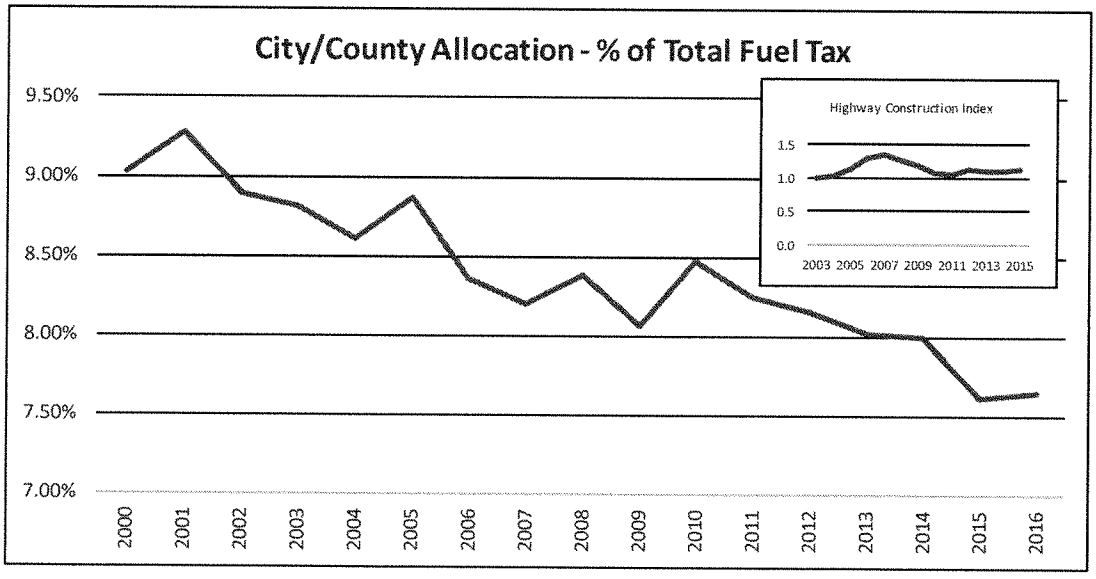
The gasoline and special fuels (diesel) tax was enacted in 1955. The tax rate has not been changed since 1995. The current state gasoline tax rate is $0.27 per gallon (remitted by the distributor) and the rate on special fuels is $0.2775 per gallon (remitted by the distributor). There is an additional tax of $0.0075 per gallon on both fuels for the purpose of funding the underground storage tank program. Pursuant to Article 8, Section 6 of the Montana Constitution, revenue from fuel taxes (except general sales and use taxes) on gasoline and special fuels must be used for payment of obligations incurred for construction,

reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges. As specified under 15-70-101, MCA, allocations of fuel tax to counties, cities, and towns are to be used for streets, roads, and bridges. Any changes to the statutory allocations of the fuel taxes requires a 3/5 vote of the legislature.

Figure 4

Gasoline and Special Fuel Tax Allocation by State Fiscal Year
Includes Total State Motor Fuel Tax Collections

State Fiscal Year	Annual Special Fuel (Diesel)	Annual Gasoline	Annual Total Fuel Tax	Annual County Allocation	Annual City Allocation	Annual Allocation Total	Annual Allocation % of Total	Highway Cost Index
2000	$54,259,213	$130,324,205	$184,583,418	$6,306,000	$10,360,000	$16,666,000	9.03%	
2001	51,861,214	127,815,582	179,676,797	6,306,000	10,360,000	16,666,000	9.28%	
2002	56,094,941	131,406,928	187,501,869	6,306,000	10,360,000	16,666,000	8.89%	
2003	57,901,809	131,203,155	189,104,964	6,306,000	10,360,000	16,666,000	8.81%	1.00000
2004	60,750,470	132,915,256	193,665,726	6,306,000	10,360,000	16,666,000	8.61%	1.02596
2005	62,722,690	125,095,867	187,818,557	6,306,000	10,360,000	16,666,000	8.87%	1.11894
2006	67,780,271	131,464,649	199,244,921	6,306,000	10,360,000	16,666,000	8.36%	1.27269
2007	68,184,559	134,995,579	203,180,137	6,306,000	10,360,000	16,666,000	8.20%	1.34251
2008	71,487,860	127,393,038	198,880,898	6,306,000	10,360,000	16,666,000	8.38%	1.24997
2009	69,158,874	137,488,783	206,647,657	6,306,000	10,360,000	16,666,000	8.06%	1.18183
2010	64,312,756	132,351,323	196,664,079	6,306,000	10,360,000	16,666,000	8.47%	1.06829
2011	69,180,814	132,774,246	201,955,060	6,306,000	10,360,000	16,666,000	8.25%	1.05237
2012	71,349,769	132,911,499	204,261,268	6,306,000	10,360,000	16,666,000	8.16%	1.11471
2013	73,092,761	134,646,848	207,739,610	6,306,000	10,360,000	16,666,000	8.02%	1.10015
2014	72,609,241	135,816,374	208,425,615	6,306,000	10,360,000	16,666,000	8.00%	1.09472
2015	76,867,018	142,158,554	219,025,572	6,306,000	10,360,000	16,666,000	7.61%	1.13336
2016	73,405,900	144,550,998	217,956,897	6,306,000	10,360,000	16,666,000	7.65%	

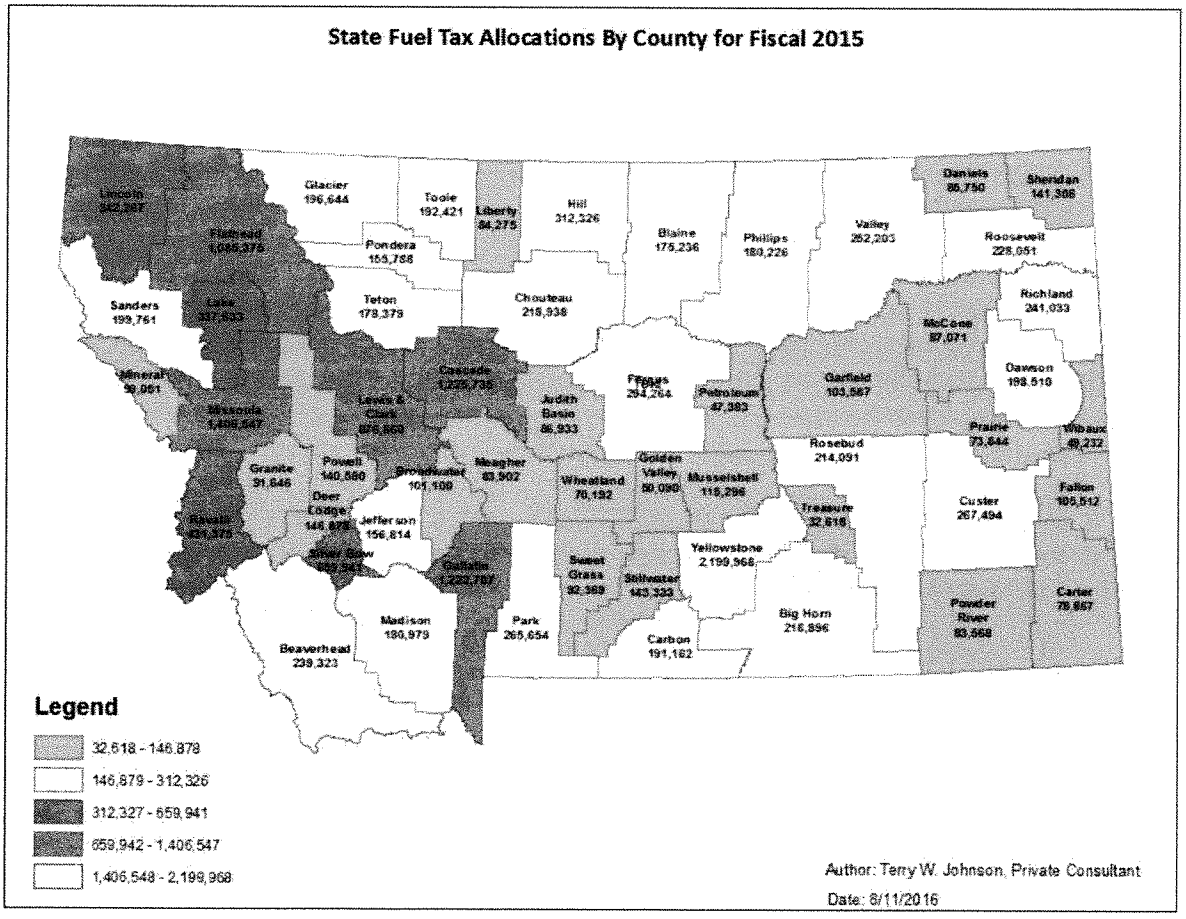


Source : Statewide Accounting, Budgeting, and Human Resources System

As shown in Figure 4, total fuel taxes (gasoline and diesel) have increased from $184.6 million in SFY 2000 to $218.0 million by SFY 2016 for an increase of 1.0% per year. Conversely, the allocations to local governments have remained constant since SFY 2000 while highway construction costs increased by over 13.0% from 2003 (see small inset in Figure 4). During the period of high energy prices (2006-2008), highway construction costs increased by over 25.0% from the base period of 2003. Strictly from a percentage perspective, the local government percentage of the total fuel taxes has declined from 9.0% in SFY 2000 to 7.7% by SFY 2016.

Figure 5 shows the annual total allocation of fuel taxes ($16.7 million) to counties (cities, towns, and counties summed together) for SFY 2015. Per 15-70-101, MCA, the allocation procedure is based on rural road mileage (40.0%), rural population (40.0%), and land area (20.0%) for counties. City allocation is based on population (50.0%) and street and ally mileage (50.0%). As specified in the Montana Constitution and state statute (15-70-101, MCA), these monies are allocated "to the counties, incorporated cities and towns, and consolidated city-county governments in Montana for construction, reconstruction, maintenance, and repair of rural roads and city or town streets and alleys". Yellowstone, Gallatin, Missoula, Lewis and Clark, Cascade, and Flathead counties receive the largest allocations of the fuel tax. Per 7-14-301, MCA, counties are authorized to levy up to a $0.02 per gallon local option motor fuels tax provided the initiative is authorized by majority vote of the county residents. Currently, no county levies this tax.

Figure 5



Selected Local Infrastructure Funding Options

The National League of Cities (NLC) surveyed 49 states to identify local strategies to fund infrastructure. Figure 6 shows the options that the NLC identified as well as the number of states that authorize each option and the number of states in which at least one local government uses the option. The figure also identifies whether the option is authorized and used in Montana and whether voter approval is required for use.

Figure 6

Selected Local Funding Options for Critical Infrastructure					
	Number of States that:		In Montana:		Voter Approval
Option	Authorize	Use	Authorized	Used	Required
Local Option:					
Resort/Sales Tax	28	28	x	x	x
Fuel Tax	16	16	x		x
Motor Vehicle Registration	26	21	x	x	
Public Private Partnership	32	?			
State Infrastructure Banks	27	22			

Source: National League of Cities, Center for City Solutions and Applied Research, "Paying for Local Infrastructure in a New Era of Federalism A State by State Analysis", 2016.

Sales Tax/Resort Tax

A slight majority of states allow local governments to impose a sales or resort tax. Although Montana statute does not allow local communities to impose a general sales tax, certain designated incorporated communities and unincorporated areas within certain population limits and economic conditions may levy a resort tax under certain conditions. Funds raised by these taxes can be used for a variety of purposes, including local infrastructure.

In Montana there are four communities with a resort tax (Whitefish, Red Lodge, Virginia City, and West Yellowstone) and there are four resort areas with a resort tax (St. Regis, Big Sky, Cooke City, and Craig). All resort taxes must be approval by local voters, with the first resort tax adopted in 1986 and the most recent adopted in 2011. All communities and areas impose a 3.0% tax, the maximum rate allowed under Montana statute.[26]

Local Option Fuel Tax

Fewer than half the states authorize local governments to impose a fuel tax. However, as noted previously, Montana allows counties to impose up to $0.02 per gallon in fuel tax, in increments of $0.01 per gallon, if approved by county voters (17-14-301, MCA). Revenue derived from such taxes may be used only construction, reconstruction, maintenance, and repair of public streets and roads as well as for reimbursement to retailers to cover the cost of compliance. Funds from the local fuel tax must be apportioned among the county and municipalities in the county based on population, road miles, or another method agreed upon. No Montana counties levy this tax although it could be used to fund roadway infrastructure.

Local Option Motor Vehicle Registration

A county may impose a local option motor vehicle tax or a local flat fee on motor vehicles subject to registration fees. These taxes/fees are authorized in 26 states and used by local governments in 21 states. Montana authorizes such a tax with a maximum rate of 0.7% of the value or a flat fee equivalent to the

registration fee. A vote is not required to impose the tax or fee. All but six Montana counties levy the optional motor vehicle tax/fee. In SFY 2013, collections totaled $38.8 million. These local revenues are distributed to county and incorporate cities and towns based on a population ratio. The local governing entity defines the distribution of the revenue by resolution.

Public Private Partnership

NLC found that 32 states authorize public private partnerships (PPPs), with 13 states allowing broad authority for PPPs to undertake all types of infrastructure projects. NLC did not indicate the number of states in which such partnerships have been implemented. Montana does not provide broad statutory authority for PPPs.

A PPP is a contract between a public entity, typically a state or local government, and a private sector entity to provide infrastructure for public uses.[27] PPP's are a relatively new model in the United States and there are "few examples . . . that have endured a total financing or project life cycle".[28]

PPPs can be structured in a variety of ways. For instance, a local government could identify the type of infrastructure improvement needed and contract with a private entity to manage any or all aspects of the project including finance, design, construction, and management. However, most typically, the public sector retains the functions of determining infrastructure improvements that are needed, negotiating project financing, and maintaining ownership and operation once a project has been completed.[29]

State Infrastructure Banks

Infrastructure banks (I banks) are authorized in 27 states and there are 22 active banks. Montana does not have an I bank.

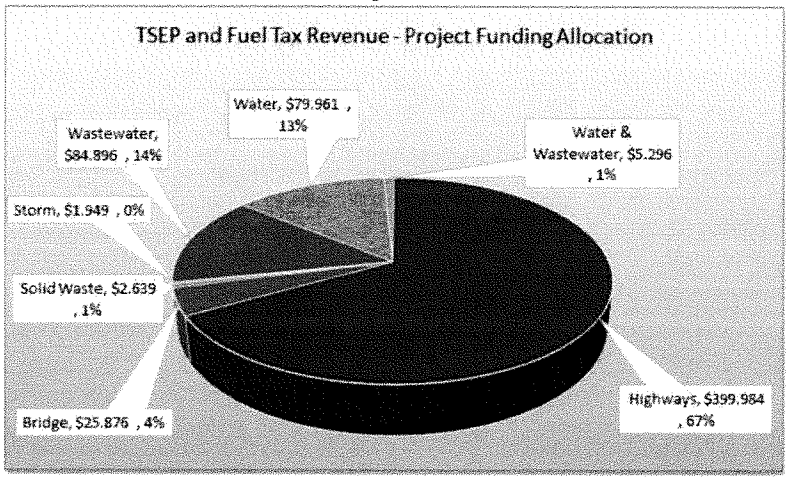
Typically I banks are investment funds that furnish loans or grants to local governments for infrastructure projects. However, most I banks issue loans that usually have subsidized or low interest rates. I banks can be capitalized in a variety of ways, including bonding proceeds and cash deposits from government funds.

Some states specify the types of infrastructure that can be funded through I banks. Each state bank operates differently; however, many "base their selection of projects on regional and local economic impact analyses".[30] Most states, including Montana, have revolving loan funds for water and wastewater treatment infrastructure. Many I banks are focused on funding transportation projects.[31]

Summary

This document discusses local government infrastructure conditions, immediate and long-term funding needs, and current funding methods including a detail analysis of two more significant state funding sources. When the TSEP funding and motor fuels allocation to cities, towns, and counties are added together from 1995 forward, the state has committed $600.6 million to local government infrastructure needs – primarily for water and road projects.. To put this in an appropriate perspective, the total local government infrastructure needs for water and waste water projects in Montana (as discussed previously) is approximately $15 billion. It would take almost 900 years (at the current funding rate) to fund this need with these two sources of funding. There are many other federal, state, and local funding programs but this illustrates the significant gap between the needs and the two major funding sources. Figure 7 shows the use of these two funding sources for the various local government projects. Highway, water, and waste water projects have consumed 94.0% of the available funding since 1995.

Figure 7



Next Steps- Some Items for Consideration

This initial report summarizes the information provided by the Coalition including:

- The condition of three critical types of infrastructure in Montana: wastewater, drinking water, and transportation
- Short term and long term costs to maintain, upgrade, and replace aging infrastructure
- Available information regarding current local government expenditures for critical infrastructure
- An overview of innovative funding mechanisms to fund local infrastructure

The report also provides analysis about two important infrastructure funding mechanisms in Montana:

- Treasure State Endowment Program
- Gasoline and Special Fuel Tax Allocation

The Coalition may consider how it wishes to direct further research in the following areas.

1. Existing Funding Sources - Water Infrastructure

The report identifies funding sources available for water infrastructure in Montana including: Treasure State Endowment Program, Renewable Resource Grant and Loan, Community Development Block Grant, State and Tribal Assistance Grant, USDA Rural Development, and State Revolving Fund programs. This report provides a detailed review of TSEP including its legislative history, statutory framework, total funds dispersed since SFY 1995, and the amount each county has received.

Options that the Coalition may consider are:

A. What additional information it may like regarding TSEP such as total amounts granted by type of infrastructure funded?
B. The total funds requested annually compared to the total available?
C. Whether to change the time frame for the analysis from a different starting point?
D. Which other funding sources used to support water infrastructure would the Coalition like analyzed?

2. Existing Funding Sources - Transportation

This report provides detailed information on the gasoline and special fuel tax allocation and summary information on local option fuel taxes and motor vehicle taxes. Options that the Coalition may consider are:

A. What additional information it may like regarding the gasoline and special fuel tax allocation?
B. Would the Coalition like to consider more detailed information on the local option taxes and if so, what type of detail?
C. Which other existing funding sources it would like analyzed?

3. Discussion of Condition of Critical Infrastructure

This report summarizes information in the ASCE infrastructure report. The ASCE report is the most comprehensive of its kind, yet the Coalition may like to augment or refine some information.

Options the Coalition could consider are:

A. What additional information it may like to determine.
   i. The ASCE report provides a total cost for the long-term replacement cost of water and wastewater infrastructure. Would the Coalition want to determine whether the cost for each type of infrastructure could be separated?
   ii. The ASCE report uses existing information for immediate water infrastructure needs from 2008 and 2011. Would the Coalition want to determine whether those estimates could be updated and if so, how current should information be?
B. Is there other information the Coalition like included for either water or transportation infrastructure?

4. New Funding Sources

This report summarizes information from the National League of Cities about potential new or expanded funding sources for critical infrastructure. The report provides a broad overview of several sources.

Options the Coalition could consider are:
Would the Coalition like additional research on or a briefing paper about any of the specific options?

5. Other Actions

The Coalition may like to suggest other actions or research options not considered in this document.

Attachment – Sample Funding Inventory

[1] American Society of Engineers Montana Section, "2014 Report Care for Montana's Infrastructure", 2015, p. 3.

[2] Ibid, p. 10 and p. 28.

[3] Ibid.

[4] Ibid, p. 10 and p. 28.

[5] Ibid, p. 10.

[6] Ibid, p. 10 and p. 28.

[7] Ibid, p. 11.

[8] Ibid, p. 12.

[9] Ibid.

[10] Ibid, p. 30.

[11] Ibid, p. 30.

[12] Ibid, p. 13.

[13] Ibid.

[14] Ibid, p. 32.

[15] Duncan, Cathy. "Local Government Infrastructure Funding Current and Conceptual", March 14, 2014, p. 4.

[16] Ibid.

[17] Montana Department of Transportation, 2011.

[18] American Society of Civil Engineers, p. 42.

[19] Ibid.

[20] Ibid, p. 39.

[21] Ibid, pp. 42-43.

[22] Ibid.

[23] Ibid, p. 46.

[24] Ibid, p. 41.

[25] Ibid, p. 44.

[26] Montana Department of Revenue, "Local Resort Tax", accessed August 1, 2016 from https://revenue.mt.gov/localresort-tax.

[27] National League of Cities, p. 12.

[28] Ibid.

[29] Ibid.

[30] Ibid 14.

[31] Ibid.

Program	About Program	Applicant/Population/ Recipients	Uses	Terms/Conditions	Funding Type	Water	Waste-Water	Solid Waste	Bridges	Storm Water	Roads	Other Trans	Irrigation	Dams	Housing	Parks	Other
Treasure State Endowment Program (TSEP)	Create jobs, encourage local public facility improvements, create a partnership between the state and local governments, support long-term, stable economic growth, protect future generations from undue fiscal burdens, coordinate and improve infrastructure financing, and protect the health, safety, and welfare of the citizens.	Cities, towns, counties, tribal governments, consolidated local governments, county or multi-county water, sewer or solid waste districts, other authorities as defined in 75-6 304, MCA	Facility construction	*Maximum grants of $750,000 for construction projects and $500,000 for bridge projects. *Grants are no greater than 50% of the eligible project *Hardship grants may be provided in cases of extreme financial hardship *Approved grant recipients must meet all "start-up" conditions to receive grant awards	Grants	X	X	X	X	X							
TSEP Project Planning	The program helps local governments with infrastructure planning for the constructing or upgrading drinking water systems, wastewater treatment facilities, sanitary or storm sewer systems, solid waste disposal and separation systems, and bridges.	Same as above	Preliminary engineering, capital improvement, other	Maximum planning grant is $15,000 and grants are awarded on a first come first serve basis until all appropriated funds are committed	Grants	X	X	X	X	X							
Coal Board Grants *Administratively attached to Commerce	Provides funding to local governments, state agencies, and tribal governments with the impacts that are a direct consequence of coal development or as a result of major decline in coal-related activity.	Cities, towns, counties, school districts, water and sewer districts, state agencies, governing bodies of federally recognized Indian tribes	Governmental services and infrastructure	Awards grants on five statutory criteria: need, severity of impact, availability of funds, degree of local effort in meeting these needs, and community planning	Grants	X	X	X	X	X	X	X	X	X			
Big Sky Development Program	This program is designed to aid in the development of good paying jobs for residents and promote long-term, stable economic growth. It has two distinct methods for achieving this goal. The first is through job creation funding (Category I) which receives 75% of the funding and the second is through planning projects (Category II) which receive 25% of the funding.	Certified regional development corporations (CRDCs), tribal governments, other economic development organizations, which are located in a county that is not part of a CRDC region: Flathead, Richland, Lincoln, Ravalli and Missoula counties have been designated as meeting eligibility requirements	Planning assistance														X
Gas and diesel tax distributions to cities and towns (not a program, but funding through a distribution of tax dollars)	Statutorily designated tax revenues are distributed to cities and towns for road projects	Incorporated cities and towns (consolidated city/county governments are considered to have both city and county boundaries for the tax dist)	Construction, reconstruction, maintenance, and repair of rural roads and city or town streets and alleys	Distributions are made to local government entities by a statutory formula. Project payments must be disbursed to the lowest responsible bidder according to applicable bidding procedures followed in all cases in which the contract for construction, reconstruction, maintenance, or repair is in excess of $25,000	Tax Dist.						X	X					
Gas and diesel tax distributions to counties (not a program, but funding through a distribution of tax dollars)	Statutorily designated tax revenues are distributed to counties for road projects	Counties (consolidated city/county governments are considered to have both city and county boundaries for the tax distributions)			Tax Dist.						X	X					
Gas and Diesel Tax Distributions to tribal governments (not a program, but funding through a distribution of tax dollars)	Statutorily designated tax revenues are distributed to tribes for road projects	State tribal governments with cooperative agreements		Distributions are made to tribal governments per the conditions of the tribal agreement.	Tax Dist.						X	X					
Treasure State Endowment Regional Water Program (TSEPRW)	Provide matching funds for federal dollars for the planning and construction of regional drinking water systems that supply water to large geographical areas and serve multiple local governments.	Regional water authorities. Construction grants to federally authorized projects only; administrative grants for all 4 existing regional water systems	Regional water system construction, must be a match to federal funds and project administration	Construction projects must fall within the authorized system.	Grants	X											
Renewable Resource Grants (RRG)	For projects that conserve, manage, develop or protect Montana's renewable resources.	Political subdivisions of state, local and tribal government including state agencies and universities, counties, incorp. cities and towns, conservation districts, irrigation districts, water /sewer /solid waste districts & tribes	Improvements to infrastructure and other projects that benefit or sustainable use renewable resources	Limited to $100,000 (not set in statute or rule)	Grants	X	X			X			X	X			
RRG Project Planning	Facilitates the development of renewable resource projects, helping communities in infrastructure planning	Same as Renewable Resource grants	Project planning such as preliminary engineering and community infrastructure planning	Grants between $5,000 and $15,000	Grants	X	X			X			X	X			
Renewable Resource Loans (RRL)	This program makes loans to communities for renewable resource projects. Recently, the program has funded more irrigation loans, reflecting the need for repair of aging ditches, diversions, and other irrigation infrastructure. The program also provides a safety net for municipal projects, such as solid waste projects, that may not qualify for SRF funding.	Political subdivisions of state, local and tribal government including state agencies and universities, counties, incorporated cities and towns, conservation districts, irrigation districts, water/sewer/solid waste districts and tribes	Improvements to infrastructure and other projects that benefit or sustainable use renewable resources	Limited by the applicant's ability to repay the loan	Loans	X	X	X					X	X			

Source: Legislative Fiscal Division